

Payday Lending in San Jose



Public Outreach Meeting
March 7, 2012

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by a grant from the Silicon Valley Community Foundation.*



Goal

Understand community's concerns
to assist with preparation of the
San Jose land use regulations for
Payday Lending.



What is Payday Lending?

Payday Loans (Deferred Deposit Transactions)

- Small short term cash loan.
- Unsecured
- Requires proof of a regular income, a personal checking account, and identification.
- Typically used to pay bills, mortgage, rent, unexpected expenses.



What is Payday Lending?

- Customer writes a personal check (or authorizes checking account access) for the amount of the advance plus a fee.
- Lender holds the check until an agreed-upon date, usually within two to four weeks, when the borrower receives his or her next paycheck.



What are the State Regulations?

The California Deferred Deposit Transaction Law

- Requires all payday lenders to be licensed by the Department of Corporations
- Limits the maximum amount of a single payday loan to \$300
- Limits the maximum loan fee to 15% of the face amount of the check (up to \$45), and the maximum “bounced check” fee to \$15
- Requires posting of license and fee schedule in a visible location



How it Works?

Advance	Fee	Check Amount	14 Day APR	30 Day APR
\$50.00	\$8.82	\$58.82	\$459.9%	\$214.62%
\$255.00	\$45.00	\$300.00	460.08%	214.71%



City Council Action

August 30, 2011-

Direct staff to draft ordinances to limit payday lending businesses. Council concerned with number and location of payday lending businesses.



Issues/Concerns

- Repeated Use, “Cycle of Debt”
- Interest rates
- Mainstream financial institutions with more options (Banks, Credit Unions)
- Clustered in lower-income and minority communities.



Current San Jose Regulations for Payday Lending

Municipal Code Title 20 (Zoning Ordinance)

- Not Specifically Defined
- Allowed in
 - CP Commercial Pedestrian
 - CN Commercial Neighborhood
 - CG Commercial General
 - DC Downtown (Special Use Permit in DG)



Other Communities' Regulation(s)

- Moratorium (Temporary Prohibition)
- Limit the Number
- Institute Planning Permit Requirements
- Use Restrictions



Other Communities' Regulation(s)

Separation Requirements from:

- Other Payday Lending Business
- Residential Uses
- Liquor Stores
- Schools
- Parks

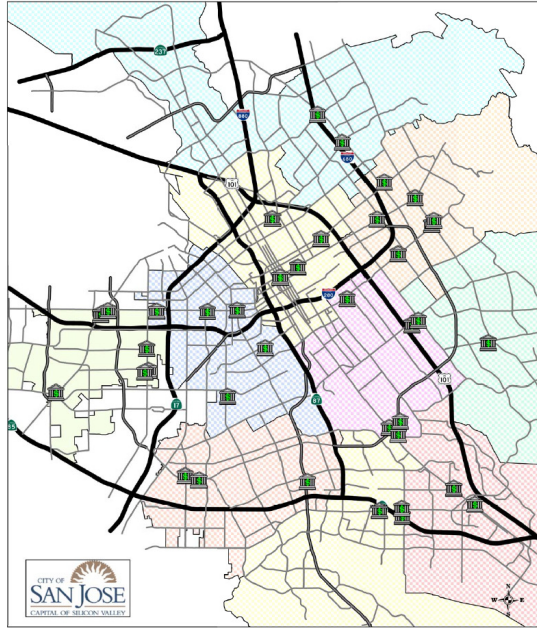


Payday Lending in San Jose

- Wide Geographic Distribution of Lenders
- Some Degree of Lender “Proximity”
(i.e., Two or More Within a 0.5-Mile Radius)
- Some Race/Ethnic Correlation
(e.g., 11 Lenders in a Hispanic Majority Census Tract)
- Stronger Income Correlation
(Over 75% of Lenders in a “Low” or “Moderately Low” Income Census Tract).

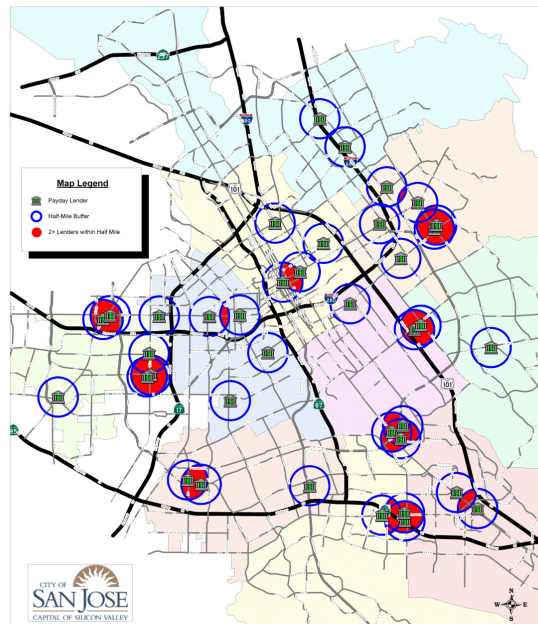


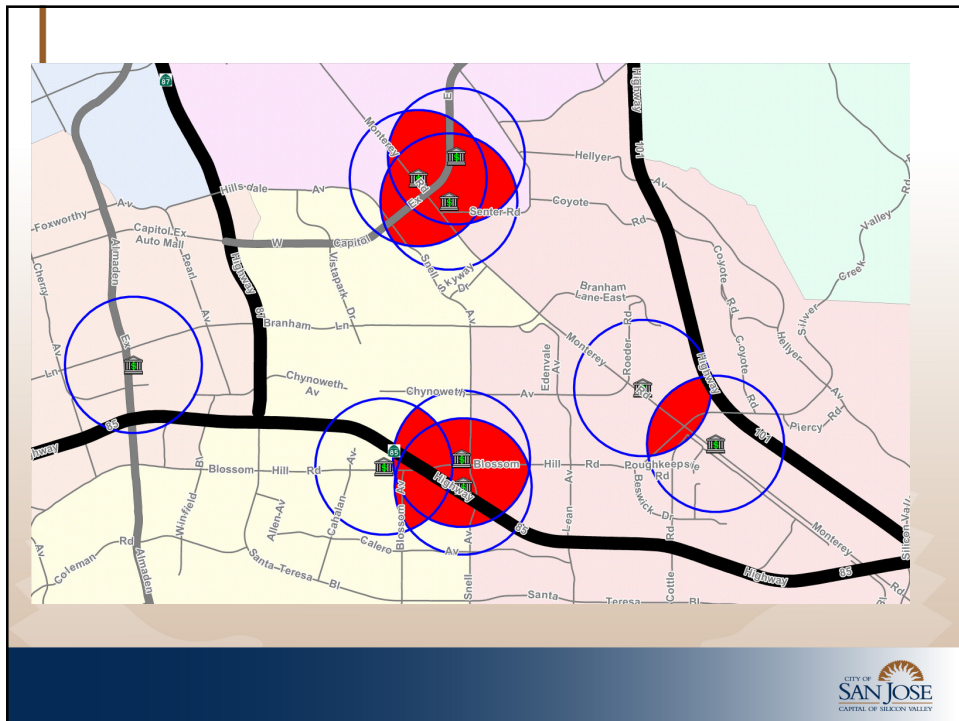
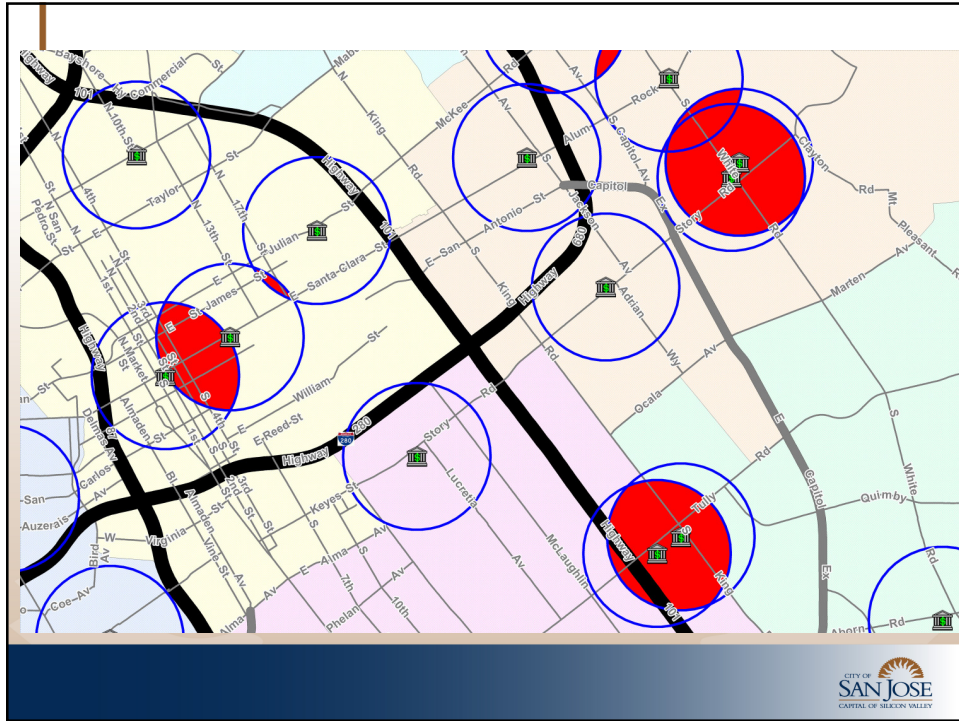
**City of San Jose
Payday Lenders, as of January 2012**

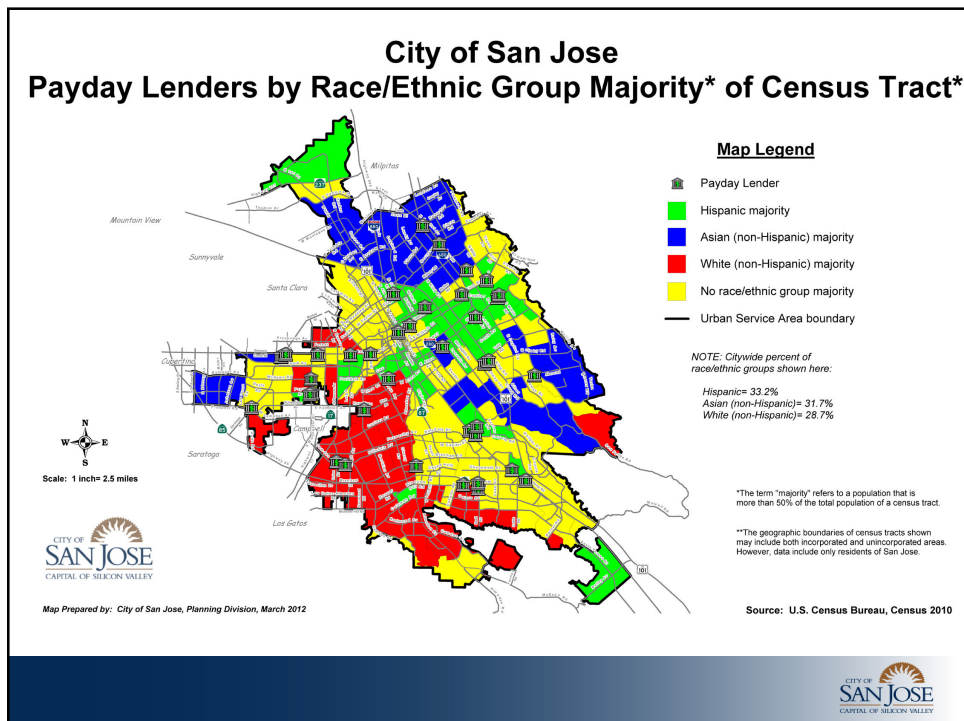
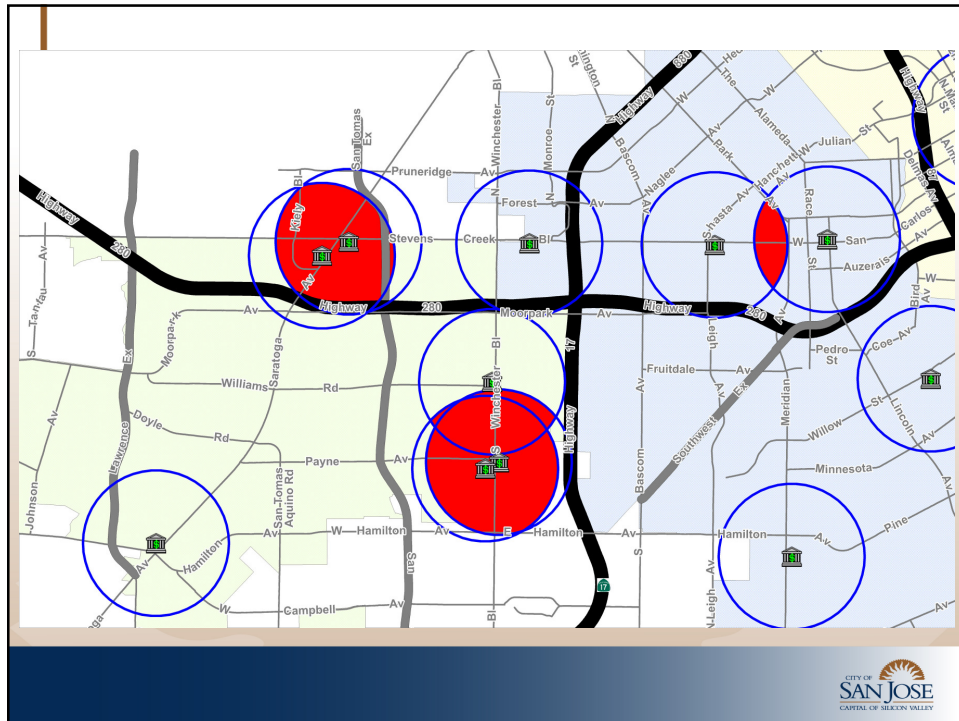


38 Payday Lenders in San Jose

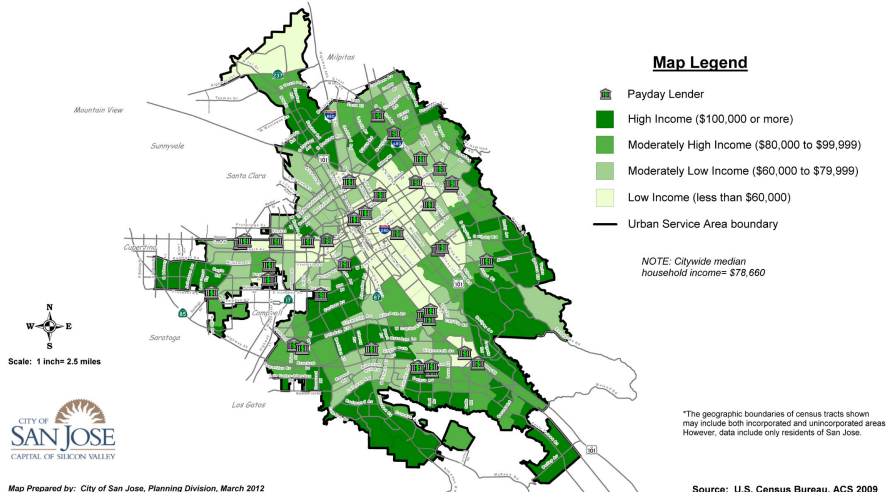
**City of San Jose
Payday Lender "Proximity Analysis"**







City of San Jose Payday Lenders by Median Household Income of Census Tract*



Discussion Questions

1. What experience have you had with Payday Lending
2. Are Payday lending facilities a positive or negative part of the community?

Discussion Questions

3. How Should the City of San Jose regulate payday lending?
 - a) Limit the number of payday lending establishments?
 - b) Require separation from residential areas?
 - c) Should payday lending be separated from other businesses or land uses?
4. Other ideas for addressing the issues?



Next Steps

- Planning Commission – Tentative April 11
 - Staff recommendation
 - Draft ordinance
 - Public Hearing
 - PC Recommendation to City Council
- City Council – Tentative April 17
 - Public Hearing
 - Decision on Proposed Ordinance

